

MINUTES

Interim Joint Committee on Appropriations



Senator Deb Peters, Lead Co-Chair
Representative Justin Cronin, Co-Chair

**Fourth Meeting, 2016 Interim
Friday, July 22, 2016**

**LCR 1 – State Capitol
Pierre, SD**

The fourth meeting of the Interim Joint Committee on Appropriations (JCA) for 2016 was called to order by **Lead Co-Chair Deb Peters**, at 9:00 a.m. in Legislative Conference Room 1 of the State Capitol, Pierre, SD.

A quorum was determined with the following members answering the roll call: Senator Deb Peters, Lead Co-Chair; Representative Justin Cronin, Co-Chair; Senators Terri Haverly, Phyllis Heineman (via telephone), Scott Parsley, Bill Van Gerpen, and Jim White; Representatives David Anderson, Dan Dryden, Jean Hunhoff, Alex Jensen, Jeffrey Partridge, Ray Ring (via telephone) and Fred Romkema. Excused: Senators Angie Buhl-O'Donnell, David Omdahl and Larry Tidemann; Representative Shawn Bordeaux.

Staff members present included Annie Mehlhaff, Chief Fiscal Analyst; Denice Houlette, Senior Fiscal Analyst; Jason Simmons, Senior Fiscal Analyst; Stephanie Gruba, Fiscal Analyst; Jeff Mehlhaff, Fiscal Analyst; and Cindy Tryon, Senior Secretary.

NOTE: For purpose of continuity, the following minutes are not necessarily in chronological order. Also, all referenced documents distributed at the meeting are attached to the original minutes on file in the Legislative Research Council office. This meeting was web cast live. The archived web cast is available at the LRC web site at <http://sdlegislature.gov>.

Juvenile Justice Reinvestment Initiative

Ms. Tiffany Wolfgang, Division Director, Behavioral Health, Department of Social Services (DSS), presented a PowerPoint regarding the Juvenile Justice Reinvestment Initiative ([Document #1](#)). This initiative is the result of SB 73 which was signed into law on March 12, 2015. The legislation required the DSS work with the Department of Corrections (DOC) and the Unified Judicial System (UJS) to establish a juvenile treatment referral process incorporating risk and needs assessment tools for use by UJS and DOC and supplemental mental health and substance abuse screening tools.

After several meetings and extensive research, the group agreed that Functional Family Therapy (FFT) would be the primary intervention program. FFT is an intensive treatment program that targets externalizing behaviors ranging from mild to severe including substance use, family problems, and acting out behavior. Eleven agencies located across the state have been selected to provide the FFT, and DSS projects that 806 youth will be served annually through this program. The agencies providing this service are listed on page 8 of the DSS PowerPoint presentation.

Ms. Wolfgang gave a budget overview for the Juvenile Justice Reinvestment Initiative (page 12 of the document). The program was allocated \$2,930,540 for FY16, but the total expenditures were only \$1,349,356, which supported the partial year of FFT teams and direct service. The total allocation for FY17 is \$6,232,064, which will be used to support a full year of FFT services, additional services developed in FY17, and support the four full time staff needed to oversee the program.

Ms. Wolfgang said she is optimistic that this program will be successful. The program will not solve all the problems but programs like this used in other areas have shown successful results.

State Radio Update

Mr. Jeff Pierce, Engineering Manager, Bureau of Information and Telecommunications (BIT), introduced **Sheriff David Ackerman, McPherson County, Public Safety Council member**. Mr. Pierce gave a PowerPoint update of the state radio system in South Dakota ([Document #2](#)).

Mr. Pierce gave the history of the State Radio system in South Dakota. The upgrades to the system to integrate into a common system started with legislative action taken in 1999, following the Spencer tornado. Through grants and cooperation between different governmental agencies, the current system has approximately 98% of the state covered and BIT continues working to expand coverage to the final 2%. The remaining 2% without coverage is due to topography. About 20% of the radios on the system are state radios and BIT has no control over the conditions or use of the other radios. The network itself is funded by the state. State agencies, local governments, and other organizations are not charged a fee for operating on the system, but do provide and update their own radios.

Mr. Pierce said Project 25 (P25) is a national standard vendors use when developing communications systems so different brands can talk to each other. In 2005, BIT started a life cycle planning program with the vendor, with the understanding that there will be support for the system until 2025. However, this past March, the vendor informed BIT that they would not support the system after 2017 and the advice the vendor gave them in 2013 was faulty advice. The lifecycle planning with the vendor is not contractual, so the vendor cannot be held liable for their faulty advice. BIT is now examining options available to them to address this issue.

Mr. Pierce presented two options they are considering. The first option is to stay the current path which would maintain the current budget and allow for time to see where the industry is headed. The risks for this option include putting the network at risk if non-supported components in the system should fail; having no idea of the cost to upgrade the network and radios in the future; and having no plan to improve system coverage.

The second option is to update the system and subscribers. This would be an all or nothing process. All radios will need to be updated before the system can be upgraded. The quotes received thus far to do the update are \$12,258,935 to upgrade the system only; \$16,796,286 to upgrade the system and add site electronics; \$21,599,379 to do the system upgrade, add site electronics, and add build new sites. The estimate to replace the over 20,000 radios that will be out of support is \$75,486,913. Other cost considerations include additional sites and site support; additional software and technical support; additional FTE needed to maintain additional sites; costs involved in obtaining sites on which to build.

Representative Fred Romkema asked if other vendors could also give quotes for these upgrades. Mr. Pierce said the current vendor is Motorola and the system is about ¾ compliant and to start with a new vendor would create additional challenges.

Mr. Brian Soehl, Vantek Communications, Sioux Falls, said Vantek is interested in quoting the upgrades to the system and he believes the costs can be cut significantly from the quotes presented today.

Sheriff David Ackerman, McPherson County, Public Safety Council member, said the Public Safety Council is one of the most responsible organizations he has worked with and he, along with the council, look forward to seeing

the system grow. According to Sheriff Ackerman, the system in place today is the envy of many other states, and the state would lose so much if they were to go back to each agency having its own system.

Senator Scott Parsley agreed with Sheriff Ackerman, adding that bringing all the agencies under the same communications system has been invaluable to this state.

Obligation Recovery Center Update

Mr. Jeff Holden, Commissioner, Bureau of Administration (BOA), updated the committee on the Obligation Recovery Center that was established through legislation enacted during the 2015 session. An advisory group worked with BOA in establishing the Obligation Recovery Center and two members of the JCA serve on the advisory group, Representative Jeffrey Partridge and Senator Terri Haverly.

Mr. Holden explained the RFP process and awarding the contract for overseeing the Obligation Recovery Center to CGI. CGI does not get paid for their services until a debt is collected and placed into the general fund. At that time CGI will bill the state for their services. To help CGI better understand what each agency needs as far as assistance with collections, Memorandums of Understanding (MOU) are being written for several agencies spelling out the details. Agencies include UJS, Secretary of State, DOC, GFP, and others.

Mr. Holden said the program had some problems with security issues, but those issues have been addressed and the system went live on July 15, 2016. Letters are mailed out to the debtors giving them 180 days to pay. If the debt is not collected in the 180-day timeframe, the debt is then sent to a third party collection agency. Three collection agencies have been awarded contracts to serve as the third party collection agencies. There will be a 20% collection fee added to the debt and once collected, the third party agency will bill the state for their 17% of the amount collected. The state will retain the other 3% of that fee.

Mr. Holden said the Bureau of Administration has posted a very basic website regarding the Obligation Recovery Center, <http://boa.sd.gov/divisions/obligation/>.

Representative Jeffrey Partridge said the planning took longer than anticipated, but the advisory committee wanted to be sure it was done correctly. Representative Partridge added that he believes this program is a year late in the right way.

Senator Terri Haverly said there were so many different parts to planning this system that the advisory committee chose to slow down and make sure the program was rolled out properly.

Senator Parsley asked if there is an opportunity for the debtor to negotiate the debt. Mr. Holden said that payment plans can be set up through CGI. The goal is to be able to collect the full amount owed.

Lean Implementation – Bureau of Information and Telecommunications

Mr. David Zolnowsky, Commissioner of the Bureau of Information and Telecommunications (BIT), distributed BIT's white paper regarding steps to pilot the implementation of lean practices within the BIT Development Division ([Document #3](#)).

Representative Partridge explained the steps taken in encouraging BIT to agree to conduct a Lean study. Representative Partridge said Senator Tidemann and Senator Heineman have been proponents of using the Lean

methodology to measure efficiencies, reduce waste, and continuously improve within the various state agencies. Representative Partridge reported that at the request of JCA the Executive Board held a meeting to discuss the funding of a Lean implementation. The Executive Board was very supportive of the Lean process but the Board wants to review the consulting contract before finalizing approval of the funding.

Senator Phyllis Heineman serves on the Executive Board and said the Board is supportive of moving ahead with the lean study and the Board appreciated the explanation of the process.

Mr. Jason Hancock, Director, said the Executive Board was very supportive of JCA's efforts in this area. A memo was sent to the JCA regarding the Board's decision to support the process but that they want to review the contract before taking final action. Mr. Hancock said a group from the LRC went to Brookings to meet with Lean experts from SDSU and Daktronics to better understand the Lean process. The experts are willing to advise LRC with the development of the RFP and with talking to potential contractors.

Senator Jim White serves on the Executive Board and said the Board supports the Lean process but many of the members preferred to review the contract before approving a specific amount of money.

Commissioner Zolnowsky summarized the white paper he distributed, in which is written, "BIT appreciates the efforts of the JCA to introduce us to Lean practitioners in the state and the invitation to collaborate with JCA to accelerate progress with this effort." The third page of the white paper is a potential timeline for the implementation of this Lean study.

Commissioner Zolnowsky said he is committed to this process and the Lean expert from Daktronics is very helpful but has made it clear that BIT will have to develop its own expertise in the Lean process. Commissioner Zolnowsky asked that the experts from Daktronics and SDSU be a part of the selection process when hiring a consultant to work with BIT.

Senator Peters appointed Senators Heineman and White and Representatives Anderson and Partridge to a subcommittee to oversee this process. Senator Peters asked the subcommittee to copy all documents to the full JCA for their information.

A MOTION WAS MADE BY REPRESENTATIVE PARTRIDGE, SECONDED BY REPRESENTATIVE JENSEN, TO REQUEST THE LRC STAFF TO DEVELOP, PUBLISH, AND FINALIZE A REQUEST FOR PROPOSAL FOR A CONSULTING CONTRACT, SEEKING INPUT FROM MULTIPLE SOURCES; AND TO DIRECT STAFF TO SELECT A WINNING BID AND DRAFT A CONTRACT THAT CAN BE APPROVED AT THE AUGUST 29TH EXECUTIVE BOARD MEETING. The motion prevailed on a roll call vote with 13 AYES and 5 EXCUSED. Those voting AYE: Haverly, Heineman, Parsley, White, Anderson, Dryden, Hunhoff, Jensen, Partridge, Ring, Romkema, Cronin, and Peters. Those EXCUSED: Buhl-O'Donnell, Omdahl, Tidemann, Van Gerpen, and Bordeaux.

Letter of Intent A Regarding the Elder Abuse Task Force

Ms. Denise Houlette, Senior Fiscal Analyst, said she met with staff from the Attorney General's office and from the Bureau of Finance and Management and they asked for guidance on how to proceed with the funding for addressing the Elder Abuse Task Force's recommendations. After discussing this issue with Legislative Audit, the Letter of Intent (LOI) regarding this issue was amended and the draft of that LOI was distributed for committee consideration ([Document #4](#)).

A MOTION WAS MADE BY SENATOR WHITE, SECONDED BY REPRESENTATIVE DRYDEN, TO APPROVE THE AMENDED LOI A CLARIFYING THE FUNDING SOURCE SUPPORTING THE FINDINGS OF THE ELDER ABUSE TASK FORCE. The motion prevailed on a roll call vote with 13 AYES and 5 EXCUSED. Those voting AYE: Haverly, Heineman, Parsley, White, Anderson, Dryden, Hunhoff, Jensen, Partridge, Ring, Romkema, Cronin, and Peters. Those EXCUSED: Buhl-O'Donnell, Omdahl, Tidemann, Van Gerpen, and Bordeaux.

FY16 Year-End Report – Bureau of Finance and Management

Mr. Jason Dilges, Commissioner, Bureau of Finance and Management, Mr. Jim Terwilliger, State Economist, and Mr. Steven Kohler, Chief Budget Analyst, presented the year-end report for Fiscal Year 2016 ([Document #5](#)). Commissioner Dilges reported that the state does have a triple A bond rating and that does have a positive effect on state business relating to economic development.

Mr. Terwilliger said the surplus for FY16 is \$14,069,144 and page 2 of the document lists all of the areas that contribute to that surplus. The total revenue change is \$3,641,746, and the amount of reversions from state agencies is \$10,427,398. Mr. Terwilliger said most of the revenue improvements are one-time in nature.

Certify the Proration of FY2016 Interest

Commissioner Dilges presented the proration of FY16 interest report for approval ([Document #6](#)).

A MOTION WAS MADE BY REPRESENTATIVE DRYDEN, SECONDED BY REPRESENTATIVE JENSEN, TO APPROVE AND CERTIFY THE RECOMMENDED INTEREST PRORATION DESIGNATIONS AS PARTICIPATING AND NONPARTICIPATING AS PRESENTED BY THE BUREAU OF FINANCE AND MANAGEMENT. The motion prevailed on a roll call vote with 13 AYES and 5 EXCUSED. Those voting AYE: Haverly, Heineman, Parsley, Van Gerpen, White, Anderson, Dryden, Hunhoff, Jensen, Partridge, Ring, Romkema, and Peters. Those EXCUSED: Buhl-O'Donnell, Omdahl, Tidemann, Bordeaux, and Cronin.

FY17 Revenue Projection Update

Mr. Jim Terwilliger gave the Bureau of Finance and Management's FY17 revenue projections report ([Document #7](#)). Mr. Terwilliger reported that BFM has updated their revenue estimate for FY17 to \$1,594,191,619 which is about \$3.9 million lower than the Legislative adopted FY17 estimate that was made in March.

Ms. Annie Mehlhaff, Chief Fiscal Analyst, Legislative Research Council (LRC), spoke to the report that was sent to the JCA members from LRC Director Jason Hancock on July 22 ([Document #8](#)). The LRC report projects general fund revenues for FY17 to be \$1,592,411,990 which is about \$5.7 million lower than was adopted in March by the 2016 Legislature.

Neither estimate projects a shortfall in excess of two and one-half percent and as such, does not warrant any further action by the Interim Joint Committee on Appropriations.

Executive Session

A MOTION WAS MADE BY REPRESENTATIVE CRONIN, SECONDED BY SENATOR WHITE, THAT THE COMMITTEE GO INTO EXECUTIVE SESSION FOR THE PURPOSE OF DISCUSSING A PERSONNEL MATTER. Motion prevailed on a voice vote. The Committee went into executive session at 1:35 p.m.

A MOTION WAS MADE BY REPRESENTATIVE CRONIN, SECONDED BY REPRESENTATIVE JENSEN, THAT THE COMMITTEE COME OUT OF EXECUTIVE SESSION. The motion prevailed on a voice vote. The Committee came out of executive session at 2:10 p.m.

A MOTION WAS MADE BY REPRESENTATIVE PARTRIDGE, SECONDED BY SENATOR HAVERLY, TO SEND A MEMO TO THE GOVERNMENT OPERATIONS AND AUDIT COMMITTEE REQUESTING AN UPDATE ON THE STATUS TAKEN ON THE REDFIELD CAMPUS AND REQUESTING A WRITTEN REPORT ON THE ACTION BEING TAKEN. Motion prevailed on a voice vote.

Adjourn

A MOTION WAS MADE BY REPRESENTATIVE JENSEN, SECONDED BY REPRESENTATIVE PARTRIDGE, TO ADJOURN. The motion prevailed on a voice vote.

The Committee adjourned at 2:20 p.m.

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